
Creating Our Own Future

A Nova Scotia
Economic Strategy
November 1991

*"The only certainty is that
the status quo is no longer an option"*

Published by

VOLUNTARY PLANNING Suite 600, Joseph Howe Building, 1690 Hollis Street, Halifax, Nova Scotia Canada B3J 3J9



Preface

"The biggest part of the process," as someone attending the public consultations for this economic strategy pointed out forcefully, "is still ahead of us."

The job is nothing less than turning the words, and objectives, and proposed actions on the pages that follow into concrete actions that will make Nova Scotia an economically vibrant, more self-reliant province.

It's not a job just for Government. Or for business. Or for labor. Or even for all three of them together. We – all of us as Nova Scotians – must recognize the difficult problems we face in the new global economy and dedicate ourselves to working together not only to meet those challenges, but to take advantage of opportunities as well.

During the wide-ranging consultations that went into the preparation of this strategy, we discovered just how many Nova Scotians are concerned and willing – even eager – to be involved in this process of change.

We believe this economic strategy provides them with a clear vision and goal, as well as an outline of many of the specific objects and actions we can use to achieve our goal.

It is now up to all of us to begin the job of ***Creating Our Own Future.***

Allan C. Shaw
Chairman, Voluntary Planning Board

Bill MacLennan
Chairman, Core Committee
Voluntary Planning

November 1991

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Foreword

This document is both an end and a beginning. Perhaps the most appropriate way to describe it is as the end of the beginning.

The document represents the end of a two-and-a-half-year process of:

- in-depth research into Nova Scotia's economic situation;
- broad consultations with over 1,000 of the major players in Nova Scotia's economy to solicit their suggestions of what should be done to improve our future prospects;
- publication and distribution of 20,000 copies of a paper based on that initial research and discussions;
- more and even wider consultations involving input from another 1,563 Nova Scotians;
- and finally, as a result of what we learned from that effort, the preparation of this final strategy document.

We hope that *Creating Our Own Future: A Nova Scotia Economic Strategy* will help chart Nova Scotia's economic future as we move toward the beginning of a new century.

In that sense, however, this document represents merely the beginning of a new and ultimately even more important and difficult process designed to make sure this strategy is implemented, and not left on a shelf to gather dust.

Given the reality that many Nova Scotians are skeptical about the ability or willingness of Government to translate economic blueprints into action – something that was made clear to us over and over again during our public consultation process – the question of how to make sure this strategy is implemented is now the most important one we face. Our success in answering it will, in fact, be the ultimate test of the usefulness of this process.

But it will take more than just Government action to turn the thrusts of this economic strategy into positive concrete actions. Government, business and labor – as well as all of us as Nova Scotians – must accept collective and individual responsibility for ensuring that the necessary actions are undertaken.

That is why, in developing this final strategy document, we have not only attempted to outline what actions we believe will be necessary to achieve our economic objectives but also tried to clearly identify those groups in society that should be responsible for taking each action described. We have also outlined suggested time frames for beginning and/or completing those actions. And we have, in addition, proposed the appointment of an independent monitoring body to be responsible for making sure Government, business and labor live up to whatever commitments they make to implement this strategy.

We recognize that this document must serve a variety of readers with differing levels of interest and involvement in the process. Because we do not expect every reader to read every page, we have attempted to structure and divide the document into a number of useful but easily digestible sections to meet the needs of those various readers.

Section I offers an overview of the process that led to the development of this strategy and an explanation of where we go from here. This section may be of particular interest to the first-time or casual reader.

Section II offers an overview of the changes that have been made to our initial strategy document as a result of the recent round of public consultations. This will provide those who have been following the process more closely a quick update on what's new in this version of the strategy. It will also, we trust, clearly demonstrate the important and positive role the public consultations played in the development of this final strategy document.

Section III includes a revised version of *Our Province, Our Future, Our Choice*, the original paper we published in March 1991. This is, in essence, the meat of the strategy, providing the background and rationale for all of the actions proposed in the various "Action Plans" accompanying the discussion of each strategic lever.

Section IV includes an integrated "Action Plan," indicating what should be done, by whom and when, in order to implement all aspects of the strategy. We have attempted to offer this information in an easy, see-at-a-glance format so all Nova Scotians will be able to monitor and assess the implementation process for themselves.

We believe such broad participation and involvement is critical. If the strategy we are presenting is to achieve the goal we have established, every Nova Scotian must play a role in the process.

It really is our province, our future, our choice.



Section I

The Process

In June 1988, Voluntary Planning – an independent advisory group made up of business, labor and community groups – wrote to the Government of Nova Scotia urging it to update and replace *Building Competitiveness*, the 1984 “White Paper on Economic Development” that had been serving as the province’s primary economic strategy document.

Voluntary Planning believed this document had been – or was about to be – overtaken by events, ranging from the Canada–U.S. Free Trade Agreement and the new round of multilateral trade negotiations under the General Agreement on Tariffs and Trade to the growing interest in the concept of “sustainable development” and the emerging role of the information technologies in business expansion and growth.

In January 1989, the Government of Nova Scotia invited Voluntary Planning to participate in developing a new strategy.

Voluntary Planning established a “CORE Committee” from among its members (along with additional members representing the Council of Applied Science and Technology and the Trade Council, two private sector advisory groups to Government) to serve as the primary focus for development of a new strategy.

During the process of research and consultation, Voluntary Planning not only consulted broadly among its own membership but also received advice and assistance from members of the staff of the Department of Industry, Trade and Technology as well as from private consultants.¹

Our Province, Our Future, Our Choice, the Voluntary Planning discussion paper, was published in March 1991. It proposed a clear goal for a new Nova Scotia economic strategy – “to build an economy that is based on competitive success so we will be able to sell more goods and services in the global marketplace” – and then outlined what it described as a series of “levers for competitive success” that Nova Scotians could use to help achieve that goal.

To provoke discussion and debate on its proposals, Voluntary Planning distributed 20,000 copies of the discussion paper to Nova Scotians in all walks of life and in all areas of the province.

In late May 1991, two teams of three Voluntary Planning members – representing the organization’s labor, business and education sectors – fanned out across the province to stage a series of regional public consultations both to explain the document and to get community reaction to it.

Each of these regional consultations (there were 10 in all) involved sessions with small focus groups in the mornings and afternoons to discuss community economic development and sectoral issues; luncheon speeches to local groups – Rotary Clubs, Association of Atlantic Women Business Owners, Chambers of Commerce, Kiwanis Clubs, etc. – to explain the

process and proposals; and larger community gatherings in the evenings to hear public reaction to the proposals.

The Voluntary Planning team members not only explained the proposed strategy and listened to community submissions, but they also engaged the participants in dialogue and discussion to help clarify issues and refine suggestions.

All of the comments were noted. Voluntary Planning staff kept detailed notes of the discussions during the morning and afternoon sessions; and the public evening sessions were videotaped and verbatim transcripts of the sessions produced. (If you would like more detailed information on what was said during this public consultation phase, copies of *Report on the Public Consultation Process*, a 22-page summary of the meetings, are available by writing to Voluntary Planning, Suite 600, Joseph Howe Building, 1690 Hollis Street, Halifax, Nova Scotia B3J 3J9.)

Voluntary Planning then sifted and considered all of that material as well as the formal briefs and more informal letters and telephoned comments that flowed into its offices in response to the discussion document.

Many of those suggestions have been incorporated into the final strategy document. In Section II, you will find a detailed listing of the changes that have been made to the original paper. In Section III, you will see just how those changes are reflected in the revised final strategy document.

In addition to suggestions about what should and should not be in the document, the public consultation also generated another unmistakable message: Nova Scotians believe this strategy will turn out to be just another empty exercise unless Government, business, labor and community groups agree in advance to commit themselves to implement it. The public doesn't trust Government (regardless of party affiliation) or business enough to leave it up to either of them to implement this strategy on their own. During the consultation process, in fact, many people suggested that an outside party – perhaps Voluntary Planning itself – should be delegated to monitor the implementation process and ensure all participants follow up on their commitments to action.

On October 10, 1991, officials of Voluntary Planning met with the Premier and members of his Cabinet. The purpose of the meeting was to:

- brief Cabinet on the contents of the final strategy document (similar briefings have been held with members of both opposition parties in the legislature);
- ask for Cabinet's endorsement of the strategy;
- get their commitment to implement the governmental aspects of the Action Plan;
- request Cabinet to designate one group of senior officials within the Government to "kick-start" the action process inside Government, and delegate similar responsibility to Voluntary Planning to serve as the catalyst for actions outside Government;

-
- get Government support for the establishment of a high-level committee of Government, business and labor leaders to oversee and monitor the process of implementation and change, including issuing periodic public progress reports indicating what has been accomplished.

The Cabinet endorsed the approach Voluntary Planning outlined and offered its full commitment to implementing the strategy.

After accepting Voluntary Planning's offer to act as the catalyst in the non-government sector, the Cabinet arranged for representatives of Voluntary Planning to meet immediately with a deputy ministerial representative to establish the committee of senior civil servants that will be responsible for initiating implementation of the strategy within Government. Within the week, this committee had held its first meeting with a representative from Voluntary Planning having reviewed in detail the actions that had been assigned to Government.

During the October 10 meeting with Cabinet, the Premier also requested that Voluntary Planning submit a list of nominees to serve on the monitoring body that will be assigned to oversee implementation. This was provided the following day.

Finally, the Cabinet asked Voluntary Planning to complete the preparation of this final economic strategy document within the month – by November 8, 1991 – so that the process of publicizing and, most importantly, implementing the strategy could begin as quickly as possible.

This document is the result of that request, as well as another important step in an already ongoing process designed to make sure this economic strategy is fully adopted and implemented.

Section II

What's New

Between May 22 and May 30, 1991, Voluntary Planning held 10 separate public consultations in various parts of the province. The purpose was to generate broad public discussion and debate on *Our Province, Our Future, Our Choice*, the paper for a new Nova Scotia economic strategy that Voluntary Planning had published in March.

More than 1,500 Nova Scotians took part in those consultations.

While there was general agreement with the paper's thrust that Nova Scotia has serious economic problems that must be dealt with, there were – not surprisingly – also areas of disagreement, especially over how best to resolve those problems. There was a consensus, however, that the final strategy paper should contain more specific “to-do” actions as well as a mechanism for ensuring that those actions are actually undertaken.

Based on what was said during the public consultations, as well as in other submissions by groups and individuals in response to publication of the paper and its own ongoing analysis of the province's economic situation, Voluntary Planning is now issuing this final strategy paper.

What is different about this paper from the original *Our Province, Our Future, Our Choice*?

Well, some specific items contained in the initial document have been eliminated, some new ones – including two new levers for competitive success – have been added and a few definitions have been refined. The document also now includes an “Action Plan,” a series of specific concrete actions designed to translate the intent of the strategy into meaningful, measurable change.

Let's look at each of these categories of changes.

Items taken out:

- **Generic Skills Program** (p. 11, *Our Province, Our Future, Our Choice*)
- **Recruitment Committee of Senior Executives** (p. 24, *Our Province ...*)
- **Double-Stacking, Intermodal Terminal** (p. 21, *Our Province ...*)
Recommendations contained in the original document relating to double-stacking and intermodal terminal have been eliminated in this version because they are already being implemented.

Items added:

- **Specialization at Universities:** One of the key areas of concern identified by those participating in the public consultations was that our initial report did not put enough emphasis on encouraging greater co-operation and rationalization among Nova Scotia universities.

One of the items in our new Action Plan directs universities to develop areas of specialization and excellence at each campus.

- **Tax Incentives.** Our original discussion paper did not include specific recommendations for changes to the tax system to encourage companies to reinvest in business and entrepreneurial activity in Nova Scotia. Many participants believed it should have.

The final document does include provisions for tax incentives that have the specific goal of encouraging such reinvestment.

- **Rationalization of Municipalities.** People attending the consultations made it clear that they believe there is simply too much government in Nova Scotia. They specifically suggested that efforts be made to reduce the number of municipalities and to regionalize the delivery of some programs and activities.

The Action Plan includes a proposal that the Department of Municipal Affairs lead the effort to rationalize the services and activities of the existing 66 municipalities, and that this be accomplished within three years.

- **Removal of Impediments:** There are, as we heard again and again during the consultation process, far too many regulations, conflicting jurisdictions, etc., in Nova Scotia, and many participants believed our paper did not go far enough in ensuring that these barriers are removed so Nova Scotians can achieve their economic goals.

The Action Plan calls for Policy Board to review and remove unnecessary regulatory barriers to development and devise a system to expedite development approvals, regulations and licensing.

- **Labor-Employer Relations Lever:** During the consultation process, we heard the argument made frequently that "greater innovation and partnerships between labor and management is absolutely required."

There is now a labor-management lever in the final document to help focus attention on this critically important issue, and there is a provision in the Action Plan calling for the establishment of joint Labor/Employer forum to promote greater partnerships in the workplace and in the economy generally.

- **Infrastructure Lever.** Those attending our consultations expressed concern that the initial discussion paper dealt with infrastructure merely in terms of transportation. They pointed out that there are other infrastructure issues – telecommunications, power systems, health care facilities, universities, etc. – that also play a role in facilitating the flow of goods and services between buyers and sellers.

In the final document, Infrastructure, including transportation, is now one of our levers for competitive success. In addition, the Action Plan now includes specific proposals to improve our telecommunications and promote more efficient energy use.

- **Coordination with Sustainable Development Strategy.** Many participants expressed concern that it would be difficult to reconcile the discussion paper's sustainable development core value with its emphasis on increasing competitiveness. Some questioned how the economic strategy would relate to the Sustainable Development Strategy being developed as part of the Nova Scotia Round Table on the Environment and Economy.

The Action Plan now specifically directs Voluntary Planning and the Round Table on the Environment and the Economy to work together to coordinate their efforts to ensure that economic development is compatible with the environment.

- **Program to Upgrade "100-Series" Highways.** Many of those attending the consultations, especially those from rural areas, made the point that while they did not object to proposed efforts to improve our interprovincial transportation links, they believed more also had to be done to improve transportation links within the province. They noted, for example, that the 100-series highway between Yarmouth and Digby still has not been completed.

The Action Plan now includes a specific proposal calling on the Department of Transportation and Communications to complete upgrading of all 100-series highways within five years.

- **Linkages.** Many of those participants who criticized the emphasis on competitiveness in *Our Province, Our Future, Our Choice*, especially those in the labor movement, argued that we needed to replace the ethic of competitiveness with "the equally important ethic of co-operation, consultation and collaboration." Specifically, they suggested efforts to strengthen industrial linkages by developing networks specifically designed to "capture more economic value from what we produce and to add more value to what we produce."

The Action Plan now also includes a specific proposal to expand import replacement efforts and increase linkages among purchaser and supplier companies in Nova Scotia.

Items refined:

- **Competitiveness.** Many of those who participated in the consultation process took exception to the discussion paper's strong emphasis on the need to increase our competitiveness.

For them, the notion of increasing competitiveness conjured up images of labor exploitation, plant closures and policies that sacrificed the quality of life of all Nova Scotians for the short-term profits of a few. They believed that competitiveness naturally implied there would have to be losers as well as winners, and that any gains Nova Scotians made would come at someone else's expense.

These participants emphasized instead the importance of traditional Nova Scotian virtues of working together and co-operation.

While we acknowledge those concerns – and recognize the important role of traditional Nova Scotia ways of doing things – we remain convinced that it will be absolutely necessary for Nova Scotians to become globally competitive if we are to achieve our full economic potential. We believe it is vital for all Nova Scotians – individuals as well as governments, business and labor – to commit themselves to taking specific actions (ranging from improving the quality of the goods and services we produce to developing an educated, highly skilled and trained work force) designed to enhance our competitive position in the world.

In the final document, we have maintained our commitment to ever-increasing global competitiveness while recognizing and acknowledging the role our Nova Scotian traditions of co-operation and collaboration can and should play in achieving that objective.

- **Private Sector.** Similarly, many people were uncomfortable with our use of the term private sector in *Our Province, Our Future, Our Choice*. While we intended the term to encompass business, labor and all others outside government, many equated the private sector with business alone.

And mention of a private sector-driven strategy once again evoked unpleasant images of smokestacks, closed plants, job losses and "big, bad, ugly foreign-owned businesses."

In the final document, the term private sector has been altered by using the term "non-government sector."

- **Strategic Privatization.** During our public consultations, it became clear to us that there was no consensus on the issue of privatization. While some people argued in support of the notion of strategically privatizing some government functions, others were concerned with the notion of privatizing being a simplistic approach to government cost control.

Recognizing there are merits to both positions, we believe that strategic privatization is best pursued through a process of consultation and collaboration with all affected parties – labor, government, business. This process should ensure that specific privatization initiatives really make sense and, if they do, how best to make them happen.

In the final document, we state explicitly that we recognize the need for appropriate consultations before any decisions are made regarding privatization, and we state that privatization should be used only in suitable situations.

Action Plan:

- As suggested over and over again during the consultation process, the final document now includes an Action Plan with specific concrete proposals for action to achieve the strategy's objectives on a lever-by-lever basis. We recognize and acknowledge, of course, that this "to-do" list isn't all-inclusive and that some people may disagree with specific action plans.

We believe, however, that it is absolutely critical to the ultimate success of this strategy that its objectives be translated into concrete specific and measurable actions.

Each proposed Action is accompanied by a listing of who should be responsible for carrying out the action, the names of other economic partners who should be involved in the implementation process and a time frame for carrying out the action.

You can find these Action Plans on a lever-by-lever basis at the end of the discussion of each lever in Section III of this document, or you will find them all together (organized both by time frame and by responsibility) in Section IV.

Despite the changes we have outlined here – some substantive, some stylistic – it is important to make the point that neither the overall vision nor the goal of the strategy has changed. Our vision is still "to become more and more economically self-reliant while maintaining and enhancing the province's natural environment." Our goal continues to be "to build an economy that is based on competitive success so we will be able to sell more goods and services in the global marketplace."

Section III

The Challenge of Change

"The only certainty is that the status quo is no longer an option."

Nova Scotia is at a critical crossroads in its economic history. The world is changing rapidly and inevitably.

- Traditional international political and trading alliances are shifting.
- Trade barriers – interprovincial as well as international – are falling.
- Global advances in technology are altering the way products are made and marketed, and the ways in which business itself is conducted.
- Big is no longer synonymous with "better" when it comes to business.
- Everyone – from heads of state, to heads of corporations, to heads of households – has become aware that economics and environment are interconnected and that we must preserve and greatly enhance our environment in order to be successful economically.

Those changes create opportunities. But Nova Scotia faces enormous difficulties too. Some problems – like the current recession – are temporary; others involve significant structural, long-term changes in our economy.

- The traditional "share-the-wealth" federalist economic bargain that has existed between Canada's rich and poor regions for much of this century is breaking down.
- The amount of transfer payments Ottawa provides to Nova Scotia each year is becoming more and more uncertain, and the level of federal commitment to such transfers appears to be declining. For example, the level of federal funding for health and education has been frozen at the 1989–90 levels until at least 1995–96.
- The Nova Scotia Government must face these grim external realities at a time when its own provincial debt is too high.
- In the aftermath of the failure of the Meech Lake Accord, additional political and economic strains have developed among the various provinces as they – and we – struggle to redefine our respective roles and responsibilities in the Canada of today, and try to lay a foundation for the Canada of tomorrow.

Those changes and others are already making Nova Scotia weaker and more dependent economically. If we are to halt that slide, we must change – and quickly – the way we finance our standard of living. We are at a crossroads. The world is changing. We must change too, or face the consequences. The only certainty is that the status quo is no longer an option.

That is not to suggest our situation is hopeless. We do have advantages. We boast a quality of life and relatively clean environment that are prized assets to others. At the same time, thanks to our own increasingly sophisticated telecommunications capabilities and other technological developments, a Nova Scotia business that sells to markets elsewhere is no longer necessarily at a competitive disadvantage.

If we protect and enhance our traditional advantages while taking advantage of the new opportunities now being presented, we can:

- establish new markets outside the province for our goods and services;
- overcome the perceived handicaps of small scale and distance from markets that have plagued our efforts to build internationally competitive businesses in the past.

If we succeed, we will be in a position to reap the benefits – a higher standard of living, improved public services and greater educational and job opportunities for ourselves and our children. If we fail, however, we face a continuing decline in our standard of living, an inability to maintain the standards of social services we have come to expect, the migration of many of our brightest young people and, very likely, the end of our shared belief that Nova Scotia is an ideal place to live, work and raise children.

Why has Nova Scotia been such an ideal place? Much of it, of course, has to do with our natural environment. Thanks as much to accident as design, it remains relatively unspoiled.

- Our vision for Nova Scotia is to become more and more economically self-reliant while maintaining and enhancing the province's natural environment.

This paper is about how to make that vision reality.

We must seize the opportunity offered by positive changing global forces before we are overwhelmed by the unfavorable changes that are also swirling around us. The challenge – and the opportunity – is there for us to take up.

This Economic Strategy is part of an ongoing process designed to help Nova Scotians recognize and accept the inevitability of the changes taking place, and also (and more importantly) to ensure that all of us, including our children and their children, develop the capacity to benefit from those changes.

Goal

In the previous section, we outlined a "vision" for the future that we believe Nova Scotians share. In order to make that vision reality in economic terms, we must now come up with a more specific – and measurable – goal around which we can build a strategy.

Before we define the goal itself, it may be useful to outline the "core values" that underlie it.

This economic strategy must be:

- ✓ **Strengthened non-government sector:** Nova Scotia can only be successful economically if the non-government sector – business, labor and others outside government – takes the lead in expanding the economy.

In the past, Nova Scotians have relied too heavily on all levels of government to show direction, provide initiative and offer support for our economic well-being.

Relying solely on government to provide prosperity simply has not – and will not – work. A larger and more dynamic non-government sector must emerge to play that role. Government should help create an environment for competitive success, and the non-government sector should make the decisions that will actually produce that success.

- ✓ **Outward looking:** The business sector can improve Nova Scotia's economic well-being only by generating *new* income. It can do this by selling goods and services to customers beyond our provincial borders, or by selling to customers in Nova Scotia goods and services that otherwise would have to be imported.

There are many ways in which this can be done. The tourism industry, for example, can attract people from outside the province to come to Nova Scotia and spend their money here, thus creating new income.

Many businesses, while not selling directly to outside markets, can also play a vital role in generating new income by supplying and supporting those businesses that do sell to customers outside the province. They too must become more competitive.

It must be noted that with the recent initiatives toward an Atlantic economic co-operation, this core value will take on greater significance. The Atlantic economic marketplace will involve approximately two million people compared to the Nova Scotia marketplace of fewer than nine hundred thousand.

- ✓ **Value added:** Wherever possible – apples into pies, fish into frozen dinners, etc. – we must work to add more value to everything we produce.

Many Nova Scotia products traditionally have been sold in a raw or semi-processed state. The income of the province must be increased by adding as much value as possible to them here *before* they

"Our goal as Nova Scotians is to build an economy that is based on competitive success so we will be able to sell more goods and services in the global marketplace."

Core Values

- ✓ *Strengthened non-government sector*
- ✓ *Outward looking*
- ✓ *Value added*
- ✓ *Technologically advanced*
- ✓ *Performance oriented*
- ✓ *Environmentally sustainable*
- ✓ *Regionally sensitive*

are sold. To spread the economic benefits of adding value, we must also encourage the development of competitive local suppliers to produce the "inputs" – the vegetables for the frozen fish dinner, the packaging for the apple pie – that go into the finished product.

- ✓ **Technologically advanced:** Nova Scotia business must develop, or take advantage of, the best available technology if it is to be successful in the international marketplace.

Today, our industries face continuing challenges from competitors offering new, improved and lower-cost products and services. Much of this competition is a direct result of the relentless application of advanced commercial technology by our international competitors.

We must be innovative too or we will be left behind.

- ✓ **Performance oriented:** Our competitive success will depend on our commitment to competitive performance – and consistent improvement – in everything we do, produce and sell.

Nova Scotia businesses must be competitive with their competitors, no matter where those competitors are located. That means all businesses must commit themselves to upgrading the skills of their managers and workers, involving workers in operational decisions and adopting the most appropriate and best available technology.

This commitment to performance improvement applies not only to business but also to Government, labor, the education system and other public sector activities.

- ✓ **Environmentally sustainable:** Our future economic prosperity depends on our ability to maintain a high level of environmental quality.

We have the good fortune to live in an environmentally rich and relatively unspoiled setting – a competitive advantage in a world where there is now a heightened awareness of the economic importance of environmental issues.

Nova Scotia's natural resources already generate a good deal of our economic activity, not only in the resource industries, but in tourism and recreation as well. At the same time, our unspoiled rural and coastal environments create a positive image of the province for the investors and entrepreneurs whose businesses we want to attract.

Because of that, our new economic strategy must be consistent with the principles of **sustainable economic development**.

"Sustainable development," according to *Our Common Future*, the final report of the 1987 World Commission on Development and the Environment, "is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

We accept that sustainable development must be fundamental to our new economic strategy.

Nova Scotia will be completing a sustainable development strategy under the auspices of the Nova Scotia Round Table on Environment and Economy. As soon as preparation of the sustainable development strategy is complete, we believe officials from the

Environment and Economy Round Table and Voluntary Planning must meet to consider both final documents to make sure they are consistent and compatible with each other. We believe such coordination will be absolutely essential if we are to achieve our goal.

- ✓ **Regionally sensitive:** Nova Scotians in all regions of the province – and in both smaller and larger communities – should be able to achieve new economic success through implementation of this strategy.

The economically vibrant, smaller community is a treasured feature of Nova Scotia, and this strategy must seek to enhance it.

Based on these core values, Voluntary Planning has evolved an overall goal we believe must guide our economic strategy.

- Our goal as Nova Scotians is to build an economy that is based on *competitive success* so we will be able to sell more goods and services in the global marketplace.

What does that mean?

- “To build an economy ...”

Nova Scotians must increase the amount and diversity of the province's economic activity.

This means that we must achieve a higher per capita gross domestic product (GDP). Our gross domestic product represents our ability to create income for ourselves. At the moment, our gross domestic product per employed person is only 82 per cent of the Canadian average.

The amount of income we create determines not only our consuming habits – what we can afford to buy, the kinds of cars we drive, what styles of clothes we wear – but also the amount of money available for health care and social services as well as the arts and culture.

- “... based on competitive success ...”

We must develop in Nova Scotia a shared understanding that we are competing with others around the world to be the best, no matter what we do.

This applies not only to business people but also to teachers, scientists, students, professionals, politicians, government officials and workers in all walks of life.

Becoming internationally competitive does not mean selling short our environment for a few jobs, or paying low wages to workers, or forgetting our obligation to help our less fortunate citizens. Neither does it mean abandoning our cherished traditions of co-operation and collaboration.

What it does mean is that we – businesses and individuals – must take the positive initiative to create income and provide jobs by offering our customers better, more consistent, quality products and services, and by increasing productivity.

“The new Nova Scotia Economic Strategy must focus on developing and strengthening our role as traders of goods and services.”

This paper does recognize that Government must play a vital role in creating a climate for success. At the same time, none of the proposals we make should be regarded as a reason to increase government expenditures. (Any proposals we make that require additional Government funds must be offset by cuts in other areas of Government spending.)

In order for this strategy to be effective in encouraging real economic growth, in fact, the Nova Scotia Government must reduce its own unacceptably high deficit.

- **"... so we will be able to sell more goods and services ..."**

Nova Scotia firms must focus on creating a strong competitive position based on unique advantages.

In the past, Nova Scotia has based its economic development and its standard of living on *what we have rather than on what we have done*. We tapped the province's natural resources and its geographic good fortune as a gateway to the rest of Canada.

But relying on low value-added commodity exports has made much of our commercial activity also-ran in a world economy that is competing on the basis of distinct customer advantages.

The challenge now facing us will be to *create* new competitive advantages based on using the "levers of competitive success" that will be detailed in the next section of this paper.

- **"... in the global marketplace."**

Our ability to generate income is largely dependent on our ability to sell our goods and services to customers outside Nova Scotia.

Tradeable goods and services – those that can be exported or that compete against imports to Nova Scotia – bring in revenues from outside that enable us to import those things we need and want, but cannot or do not produce ourselves. The revenues they bring in (or the revenues we keep at home that might otherwise have been used to pay for those imports) also provide the economic base for all sorts of locally important non-tradeable businesses, such as retailing and personal service industries.

But the simple economic reality is that employment in our non-traded industries can grow only in response to increases in activity in the tradeable sector.

That is why the new Nova Scotia Economic Strategy must focus on developing and strengthening our role as traders of goods and services.

With the goal and the core values that underpin it now clearly defined, it is time to consider how we can achieve the competitive success we seek.

Levers for Competitive Success

There is no one simple recipe for cooking up competitive success, but there are a wide variety of "levers" we believe can be applied to our economy in order to enhance our competitive position.

At one time – when competitors were few and competition itself was localized – a company in Nova Scotia (or anywhere else for that matter) that had a dependable source of easily accessible, relatively inexpensive raw materials, or a willing pool of workers, might be able to remain profitable even if the quality of its products was not world class or its productivity was low.

Today, even the richest natural resources, such as our forests or our fishery, cannot by themselves guarantee economic success. And we cannot hope to be successful simply by paying low wages either.

Today, we face a new world of global competition in which people, businesses and countries have a wide range of choices of what they buy, how much they pay and what level of quality they expect.

That means that if we are to sustain the high standard of living Nova Scotians have become accustomed to, we must find new ways to compete in this complex and ever-changing global economy.

It will not be easy. We must recognize the reality that Nova Scotia has a small economy and is under considerable pressure from economies that do take advantage of low wages, or economies of scale, or special technologies, or quality of product, to give them their competitive edge.

But our task is far from impossible. We have identified a number of levers Nova Scotians can "pull" to help them compete more successfully.

- √ People
- √ Quality
- √ Productivity
- √ Labor-Employer Relationships
- √ Technology
- √ Community Economic Development
- √ Infrastructure
- √ Creating/ Developing Business
- √ Trade
- √ Government Role

Competitive Levers

- √ People
- √ Quality
- √ Productivity
- √ Labor–Employer Relations
- √ Technology
- √ Community Economic Development
- √ Infrastructure
- √ Creating/ Developing Business
- √ Trade
- √ Government Role

That is not to suggest that there probably are not other potential levers, or that some of the levers we have listed separately might not usefully be combined into one. Many of the levers, in fact, are interrelated. It is impossible to talk about using the lever of "Technology," for example, or "Community Economic Development" without considering the role of the "People" lever of education and training in making them work.

The important point is simply that we as Nova Scotians must recognize that there are such levers and we can use them to achieve this goal.

For the purposes of this paper, we will consider each lever in more detail – describing the current situation, outlining some general principles and setting forth some specific Objectives with appropriate Actions intended to advance those principles.

People

Skilled and motivated people are the single most important lever for competitive success.

If our province is to be internationally competitive, it must provide its people with access to a seamless web of fully integrated educational and training opportunities that will offer all Nova Scotians the opportunity to achieve their full potential.

When we talk about educational and training opportunities, we include a wide range of activities – basic literacy and numeracy training, math and science education at the secondary school level, entry level employment training, general job skills enhancement, industry-specific education, technology skills upgrading, management and entrepreneurial training and university-level research.

An educational system that responds to the real needs of the economy must be flexible and open to change. It must, in effect, help people to learn to cope with the inevitability of change.

We believe those involved in providing education and training – universities, community colleges, school boards, departments of education and continuing education, teachers, teachers' unions, professors, the non-government sector – not only must work together to make the existing educational system efficient and effective but also must ensure that it takes advantage of the most creative and innovative practices available to better serve its students and, ultimately, the province's economy.

The most basic skills everyone needs, of course, are literacy and numeracy – that is, people need to be able to handle basic reading, writing, mathematical and communication requirements for daily living as well as to master the fundamental skills needed to be effective in the workplace.

Our record of providing basic skills is not good. According to one recent survey, 15 per cent of Nova Scotians are either illiterate or have serious difficulties with common reading materials.² The same survey indicated the mathematical skills of 44 per cent of Nova Scotians are so low that they would not be able "to perform simple sequences of numerical operations which enable them to meet most everyday needs."³

Even with basic literacy and numeracy skills many Nova Scotians are inadequately educated in science and mathematics. These are two subjects in which students must have strong backgrounds to secure the high-skilled, high-paying jobs the new information and technological society offers.

One recent study indicated Nova Scotia high school science students generally score among the bottom 25 per cent in Canada in standardized science achievement tests.⁴ Those statistics can change. After a concerted five-year effort to upgrade junior high school science skills, grade nine students in Nova Scotia recently scored among the *highest in Canada* in science achievement test results.⁵ This Nova Scotia-developed science education program is now being marketed to educational authorities in other provinces and in the United States. We must make a similar effort in the high schools.

Principles

- ✓ *Nova Scotians must recognize the need to be lifelong learners, and Government and the non-government sector must create opportunities for them to get recurrent education.*
- ✓ *Those who deliver education and training must recognize that they play an essential part in creating competitive advantage, and they must take up the challenge of becoming a major force for change and improvement.*
- ✓ *Improvements in basic workplace training must be immediate priorities, and employers must be committed to ensuring regular and continuing upgrading of employee skills.*
- ✓ *The education system and the non-government sector must make basic literacy training a priority.*
- ✓ *The non-government sector must be actively involved in all aspects of education and training.*

In addition to improving student skills in the fundamentals, our education system must provide students with an opportunity to get the basic skills training they need for employment and career development. To date, we have not done as well as we should. More than 75 per cent of Nova Scotia companies responding to a survey for this paper reported they had experienced difficulties finding employees with the skills they require.

A well-developed and well-utilized community college system could serve as the focal point for training people for entry into the business world. The creation of a Nova Scotia Community College has been in process since 1988. At that time, a Government White Paper, *Foundation for the Future*, recommended that the existing patchwork system of vocational schools and technical institutes be amalgamated to improve the calibre of the training available to students and to better coordinate its delivery. But this report has not been fully implemented. We believe the Government should allocate the necessary resources to complete the job.

We also believe that our current university system – 13 degree-granting institutions in a province of fewer than a million people – needs to be re-examined. Is this system meeting the needs of students and taxpayers effectively and efficiently? Is there too much duplication in course offerings and programs? We believe Nova Scotia universities must begin to see themselves not as separate, individual and isolated units but as part of a larger, integrated provincial university system. This means Nova Scotia universities must make efforts to eliminate duplication of programs and administration while each develops – within a framework of collaboration and co-operation – its own unique areas of specialization and its own centres of excellence.

Employers, for their part, must begin to recognize and respond to the need for ongoing training for their workers. One recent national survey indicated that 41 per cent of workers had received no training at all in the past two years.⁶

Most of the training that takes place is haphazard, often informal. Although this is slowly changing, there are still far too few collaborative efforts between business and the educational system to develop and deliver appropriate worker training programs that offer skills training for specific industries as well as general workplace skills.

Management training, vital to competitive success and currently offered at a variety of post-secondary institutions, also needs to be better coordinated to ensure it is appropriate to the needs of business. Entrepreneurial training – a key lever for improving our economic prospects – should not be overlooked in such programs.

At the same time, it will be important for those providing education and training and those in the business sector to recognize that simply providing skills training for today's economy is not enough. A successful education and training system must also project and prepare to meet future needs, as well as the needs of new industries in fields such as environmental services.

Objectives and Actions

1) To increase the scale of workplace training

- Complete implementation of the Community College Program.
When: Organization changes immediately; program structure complete in three years
Who: Department of Education/Advanced Education
With Whom: Community college instructors, administrators and boards
 - Ensure Community Colleges remain accessible for vocational training to those without a grade 12 diploma.
When: Improved system in place by September 1992
Who: Department of Education/Advanced Education
With Whom: Labor, business associations
 - Increase training requirements for supervisors and managers.
When: Programs in place in three years
Who: Business associations
With Whom: Educational institutions, business, labor
 - Target teacher training to meet the needs of continuing education.
When: Revised teacher training programs in place in four years
Who: Teachers' union(s), Teachers' College, universities with education programs
With Whom: Department of Education/Advanced Education, Community College
 - Improve the availability of literacy training in the workplace.
When: Needs assessment in one year; creation of programs in two years
Who: Department of Education/Advanced Education
With Whom: Labor, employers
 - Promote increased training for workers in the workplace.
When: Immediate start; ongoing
Who: Business associations, unions
With Whom: Employers, educational institutions, services
- ### 2) To increase the scale of partnerships among business, labor and educational institutions
- Business and labor establish more partnership arrangements with educational institutions.
When: Partnerships established in three years
Who: Business, labor
With Whom: Educational institutions, business associations

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- 3) **To place more emphasis on literacy and numeracy in grades primary to 12**
- Adjust curriculums to students in all grades to spend 25 per cent more time than present, per year, on the basic skills (reading, writing, math, communications and critical thinking).
When: In effect in three years
Who: Minister and Deputy Minister responsible for Education
With Whom: School boards, teachers, students, parents
- 4) **To put greater emphasis on science and math programs**
- Launch a concerted effort to improve the high school science and math programs.
When: Immediate start, continuous monitoring
Who: Minister and Deputy Minister responsible for Education
With Whom: School boards, teachers, students, parents, universities
 - Upgrade teacher skills in science and math.
When: Operational in two years
Who: Teachers' Union(s), Department of Education/Advanced Education
With Whom: Teachers, school administrators
- 5) **To emphasize excellence in the education system**
- Encourage each university campus to develop its own areas of specialization and excellence; eliminate duplication of programs and administration.
When: Process begun in three years
Who: Universities
With Whom: Minister Responsible for Education, faculty associations, students, Student Union of Nova Scotia
 - Publish the results of standardized achievement tests given to school children.
When: Begin publishing results in one year
Who: Department of Education/Advanced Education
With Whom: School boards, teachers
 - Establish an awards program to encourage innovation in education.
When: In place in two years
Who: Business and labor
With Whom: Department of Education, teachers, school boards

Quality

Quality, as author Peter Drucker writes in his book *Innovation and Entrepreneurship*, is what each customer "sees as value" and nothing else. What that means is that producers of goods and services must strive to provide quality to every customer every time. And that means that providing customers with quality goods and services must involve a never-ending effort.

Many businesses create a competitive advantage by doing just that – providing their customers with totally consistent quality. The Japanese auto industry, for example, made huge inroads into the North American car market once it had established a reputation for offering consistent quality and reliability.

When we talk about quality in this context, we are not necessarily talking about "high" quality so much as we are talking about consistent and appropriate quality.

Successful firms recognize that they must pay rigorous attention to delivering a consistent and reliable product.

All Nova Scotia businesses could benefit from a similar dedication to quality. Not all, unfortunately, have so far learned this lesson.

One recent study of 30 small Nova Scotia manufacturing firms found that those firms produced lower quality products than their competitors, and then tried to sell them at higher prices.⁷

Given the reality that Nova Scotia firms must be competitive in international markets in order to survive and prosper, the author of the study, Scottish economist Patrick O'Farrell, concluded that "the only realistic policy" available to Nova Scotia small manufacturers is to make quality their hallmark so they can compete on the basis of design and value rather than price.

We believe O'Farrell's prescription for our small manufacturing sector could just as easily and usefully be applied to other sectors of our economy, including the service sector. Nova Scotia tourist operators, for example, must make quality of customer service their number one priority too.

Some Nova Scotia firms have demonstrated that world-class quality can be achieved in Nova Scotia in fields as diverse as aircraft parts production and consulting engineering, but others must follow their lead.

Better quality is not something that can be achieved overnight.

To help Nova Scotia businesses improve their overall performance levels – including quality, productivity and international competitiveness – we are proposing that the Provincial Government, in collaboration with the business sector, establish what we will call a "Performance Enhancement Service."

We see this service as a way to coordinate the collection and dissemination of the best available information about quality and productivity techniques for business – from how best to diagnose quality and/or productivity weaknesses to how best to overcome them.

Principles:

- ✓ All Nova Scotia businesses and organizations must make totally consistent quality of their products and services a primary goal, and all Nova Scotians must work to achieve quality in their respective tasks.
- ✓ The business sector must take account of environmental quality in its production techniques and use of materials.
- ✓ Government must demonstrate a commitment to the principle of quality in its services.

We are not suggesting that introducing such a service should result in a large bureaucracy, or that Government should provide this service to business for nothing. This service – like Government, business and the province as a whole – must be competitive too!

Becoming more competitive must begin with a personal and corporate commitment to seeing that quality infuses every input and process – including environmental inputs and processes – in creating a product or service. Quality standards and quality control must become a daily preoccupation for everyone involved in a business.

Quality is an issue not only for business. Quality is just as important in government services and education as in business. Quality must be a part of everyone's job – not a separate organizational function.

Quality is even our responsibility as consumers. We must not accept poor service in restaurants or shoddy workmanship from suppliers simply because they are "local." If we begin to demand quality in all things, Nova Scotia producers of goods and services will naturally begin to deliver it to their other customers as well. And we will all benefit.

Objectives and Actions

1) To engender an attitude of providing a totally consistent level of satisfaction to customers

- Promote the adoption of productivity management practices and good industrial relations in order to produce superior products and services to consistently meet customer satisfaction.

When: Programs in place one year

Who: Business associations, labor, community economic development groups

With Whom: Department of Industry, Trade and Technology, educational institutions

- Establish a Performance Enhancement Service.

When: Established in two years

Who: Department of Industry, Trade and Technology

With Whom: Business associations, labor, research and educational institutions

Productivity

Global competition, as Xerox's David Kearns noted, is a race with no finish line. If Nova Scotians are to succeed in global competition, we must dedicate ourselves to continuously improving productivity in relation to our competition. The "in relation to" is important. Even if we improve our productivity by 3 per cent per year, we will still fall behind our competition if their productivity increases by 5 per cent per year.

The O'Farrell report, noted earlier, argued that low productivity "is probably the most crucial shortfall in the relative performance of the (Nova Scotia) firms (against their American competitors)." To make matters worse, U.S. manufacturing productivity is "well below" other industrial nations.

It is worth noting that O'Farrell lays much of the blame for productivity problems in the companies he studied at the feet of company managements. "Productivity levels in multinational branch plants in Nova Scotia are broadly comparable with those achieved by branches in other countries using similar skills and machinery," O'Farrell noted in the report, suggesting that, "given appropriate management skills, supervision and training, workers in Nova Scotia can achieve international standards of productivity."

The Performance Enhancement Service, proposed in the previous section, would assist business in knowing about, and taking advantage of, such productivity improvement opportunities.

Technological change is inevitable, and it is happening far more quickly than many expected. But the percentage of firms in Nova Scotia adopting such technologies is below the national average, even though the productivity gains from advanced technology can be substantial.⁸

New machine technologies alone do not make a company productive or competitive, of course. Unless they are combined with new management approaches and "people technologies," machine-based technologies will also fall short of their productivity and quality potential. We must develop work systems that encourage employee participation in decisions. Such participation necessitates a strong commitment to worker training to allow flexibility in how workers tackle their jobs and contribute to competitiveness.

We have focused primarily in this section on the role of business, but it is important to say that Government must get its own productivity house in order as well. It goes without saying that if Government is to reduce and eliminate its deficits and cut the tax burden it imposes on businesses and individuals, it must also operate more productively and efficiently. We will focus on this issue in more detail in the section on the role of Government.

Objectives and Actions

(See under Quality)

Principles:

- ✓ All Nova Scotians must make constant improvements in productivity a way of life.
- ✓ Nova Scotia companies must adopt the best, environmentally sensitive and cost-effective product and process technologies.
- ✓ Nova Scotia firms must encourage everyone in the business to be involved in production decisions.

Factors that contribute to productivity weaknesses

- management's failure to accord productivity issues a high enough priority;
 - management's failure to develop appropriate specialization in the division of labor;
 - a work week that is shorter than those of our competitors;
 - a lack of productivity-related pay schemes;
 - poor plant layout;
 - poor machine utilization;
 - weak management and supervision.
- "O'Farrell Report"

Principles

- ✓ *Our potential for success will increase greatly if government, labor and business work cooperatively.*
- ✓ *Workers and their unions play a critical role in innovation and economic prosperity.*
- ✓ *A new era of partnership among labor, management and government must be encouraged in order to create the most attractive economic climate possible.*
- ✓ *The Labor movement and the workers must be viewed as full partners in planning and developing our economic future.*

Labor-Employer Relations

A company can have a well-trained work force, the most modern and productive equipment available and a management that is committed to the ethic of quality, but still fail to achieve its full economic potential simply because labor and management do not work together for the collective good of all.

There is a growing recognition throughout the industrial world that the old 19th century "labor-versus-management," "them-versus-us" approach to employer-worker relations no longer works. The relationship of industrial performance, production techniques, work organization and industrial relations is far too complex and important to reduce to such simplistic and antagonistic notions.

What is needed is a way for labor and management to meet together to deal with their differences, learn from each other and develop new approaches to the challenges that face them based on mutual respect and a recognition that they really are partners in achieving economic prosperity.

Other countries – Germany, Sweden, France, Japan, Australia – have all recognized this fundamental reality and have put in place important institutions charged with the responsibility for encouraging labor-management co-operation as well as a more problem-solving approach to industrial innovation and economic change.

Ironically, Nova Scotia used to have such an organization in place. For many years, the Joint Labor-Management Study Committee functioned as an effective forum for labor and management to come together to provide input to legislation and on other matters of common interest.

For a variety of reasons, this committee was disbanded.

We believe that some similar body needs to be established again to promote a greater sense of partnership between labor and employers in the workplace and in the economy. A primary role of this group would be to examine legislation to recommend positive changes that will facilitate an improved labor relations environment.

We recognize that labor and management often have different specific interests and will not see eye-to-eye on every issue. But we believe both groups share a desire to make Nova Scotia's economy stronger and more self-reliant in order to improve the quality of life of all of our citizens.

Meaningful co-operation between them is the most effective way to achieve that goal.

Objectives and Actions

1) To improve industrial relations

- Establish a joint Labor/Employer forum to promote a greater sense of partnership in the workplace and the economy.

When: Start immediately; operational in one year

Who: Nova Scotia Federation of Labor, Nova Scotia Council of Labor, business associations (with Voluntary Planning acting as a catalyst)

With Whom: Provincial Government

Technology

Technology has become an increasingly critical lever, which all companies can use to achieve competitive success. All you need to do is to look around you to recognize that technology and its application play a vital role in creating and developing new value-added products, increasing quality and lowering cost. If Nova Scotia companies are to succeed in the global marketplace, they cannot simply hope that they will somehow gain access to world-leading technologies by osmosis. The province must have its own commercially oriented science and technology infrastructure to develop, adopt, improve and customize the technology we need.

Nova Scotian businesses do not have a good record when it comes to using technology to achieve commercial success.

Some Nova Scotia companies are aware of what is leading-edge technology and have continuously invested in upgrading their technological capabilities, but many companies have not remained current enough in their fields to ensure themselves a competitive advantage.

Nova Scotia ranks low among Canadian provinces in the extent to which firms use advanced manufacturing technologies such as programmable controllers, and many Nova Scotia businesses are not sufficiently aware of exactly what constitutes "state-of-the-art" technology in their fields.

The problem is most serious among Nova Scotia-owned firms. Plants in the province that are part of larger international firms tend to be more up-to-date technologically because they have access to the international networks of their parent companies. Nova Scotia-based firms do not have such an advantage and have difficulty in finding out what technology their international competitors are using. (One way of overcoming these difficulties, of course, is the proposed Performance Enhancement Service referred to earlier.)

In addition to suffering from a lack of global connections, Nova Scotia companies also suffer technologically because there are few clusters of indigenous firms in any industry in Nova Scotia, so there is little potential for natural networking among related local businesses. As a result, the public sector has been largely responsible for spreading the use of technology among companies and for providing support for technology. The Industrial Research Assistance Program (IRAP) of the National Research Council is an example of a valuable component of this technology diffusion network. But the poor ranking of Nova Scotia firms in adopting technology indicates that much still needs to be done to link all elements of the network to form an easily accessible, coordinated support system for industry.

There is an irony in all of this. The technology paradox for Nova Scotia is that the province has a disproportionately large share of Canada's basic and applied research activity but it also has a relatively low level of commercial applications of science and technology. A number of laboratories with federal or national mandates are located in Nova Scotia and attract internationally recognized scientific staff, but too often what they do is not matched to the needs of industry, or is not spinning off benefits to the business sector. This must change.

Principles:

- ✓ *Nova Scotia should utilize the rich resources of existing industrial strength and current R&D accomplishments.*
- ✓ *Nova Scotia should develop research and development capabilities to meet the technological needs of Nova Scotia-owned firms.*
- ✓ *Nova Scotia should make meeting the development and application needs of industry its first research priority.*

Nova Scotians display considerable pride in the number of institutions of higher learning accessible to the population. For technological advancement and innovation, however, research teams in academia require the practical skills of engineers to take ideas for new products and processes into the advanced development stage. Engineers, to maximize their potential usefulness to industry, must be employing the latest technologies emerging from the basic and applied research of the sciences. But the structure of higher education in Nova Scotia today is inhibiting the establishment of strong linkages between academic science disciplines and engineering. This too must change.

Objectives and Actions

1) To better serve the technology needs of business

- Establish a Technology Outreach Service.

When: Begin operations in two years

Who: Business associations

With Whom: Research institutions, Department of Industry, Trade and Technology, Industry, Science and Technology Canada, National Research Council

2) To increase research and development activity that is relevant to Nova Scotia

- Review the mandates, policies and practices of the major public and quasi-public research and development establishments.

When: Complete review in one year

Who: Research institutions

With Whom: Business associations, Department of Industry, Trade and Technology, Industry, Science and Technology Canada, Council of Applied Science and Technology

- Recruit business sector product development activities to Nova Scotia.

When: Recruit first lab in two years

Who: Department of Industry, Trade and Technology, Council of Applied Science and Technology

With Whom: Business associations

- Develop more formal links between Technical University of Nova Scotia (TUNS) and Dalhousie University and, where appropriate, between TUNS and other universities.

When: Establish formal links in two years

Who: Universities

With Whom: Faculty, Department of Education/Advanced Education, Council of Applied Science and Technology

3) To increase research and development activity that is relevant to Nova Scotia industries

- Establish a technology challenge grant fund.

When: Establish fund in two years

Who: Department of Industry, Trade and Technology

With Whom: Business associations, businesses, research and post-secondary institutions, federal government

Trade

Products and services, no matter how good or consistent their quality, do not sell themselves. That means that market development can be another critical lever for competitive success.

In the past, many federal and provincial government policies – including procurement regulations, import restrictions, etc. – have served to protect local industry from competition. For a variety of reasons, ranging from the Canada–U.S. Free Trade Agreement to generally increasing international competitiveness, these protections are rapidly being eliminated. In order to survive, Nova Scotia firms must expand their marketing horizons.

The Council of Maritime Premiers has accepted in principle the idea that the three Maritime provinces should operate more as a single market while continuing to function as independent political units. In fact, cabinet ministers from the three provinces met recently to consider the elements of greater co-operation.

We believe this new spirit of regional economic co-operation makes eminent good economic sense because it provides not only a larger, more competitive local market for goods and services, but it also offers companies the chance to develop regional strengths they can then use to help them seek broader markets.

In addition, of course, having a collective Maritime economic voice also means that the federal government will hear regional concerns – especially economic ones – more clearly than is now possible with the three provinces acting independently.

Of course, there is already co-operation among Maritime provinces – and, in some cases, Newfoundland – at some level in a number of areas. Through the Council of Maritime Premiers, for example, there are several cooperative ventures, including the Land Registration and Information Service, the Maritime Provinces Higher Education Commission and, since 1990, a Maritime Procurement Agreement, which eliminates provincial trade barriers for government acquisition of goods, services and construction above certain threshold levels.

We applaud such efforts and stress the need for Atlantic Canadian governments to cooperate even more in the future in order to eliminate regulatory and policy inconsistencies that continue to exist among the provinces.

Some potential areas for increased co-operation include the portability of qualifications of skilled trades and professionals, sharing of electric power, joint trade promotion efforts and joint regulation of truck and bus transport.

In addition to efforts by government, industry, business associations and labor groups should encourage their members to develop and participate in cooperative initiatives involving the three provinces.

Principles

- ✓ *Nova Scotia should support a full consideration of the concept of Maritime/Atlantic economic co-operation.*
- ✓ *Nova Scotia businesses must place much more emphasis on entering out-of-province markets.*
- ✓ *Nova Scotia businesses must undertake the research and make the investments necessary to access outside markets.*
- ✓ *Nova Scotia businesses must concentrate their efforts on producing higher value-added goods and services and exploiting niche markets, such as those for craft-based products.*
- ✓ *Nova Scotia businesses must excel in quality design of their goods and services.*

The process of effective marketing involves:

- *identifying and assessing potential markets;*
- *adapting products or packaging to suit the target market;*
- *arranging for shipping and associated documentation;*
- *possible strategic alliances, like joint ventures and licensing mechanisms with other companies.*

Trade strategies currently being used successfully by Nova Scotia firms:

- *Niche marketing: Carefully choosing market segments that are small enough so major multinational firms are not interested in competing.*
- *Value-added products: Finding ways to add to a product or service, increasing its value to a customer.*
- *Marketing consortia: Getting together to market a type of product cooperatively.*
- *Design intensive products: Using specialized, high quality design as a major selling point for a product or service.*

We realize that encouraging a single Maritime market will create transitional problems in some industries, and we believe Government must co-operate with labor and business and the non-government partners to develop measures to deal with them.

But as Nova Scotia companies venture further abroad they often find the cost of marketing increases substantially, and the competition becomes ever more intense.

The costs of investing in market development can be substantial. One Nova Scotia firm, which was the first in the world to move into the production of long-life milk shakes, found that when it wanted to take the product beyond Nova Scotia it was very costly. The company has made major inroads with the product into other provinces based on a proprietary formula and state-of-the-art packaging machinery that suited this product. Although the firm stopped short of entering the New England market because of the high cost of securing the approval of U.S. food regulators, it did manage to creatively develop other export markets by licensing the technology it had developed to manufacturers in other countries.

Ways must be found for Nova Scotia firms to tackle the significant investments sometimes necessary to access out-of-province markets.

When considering trade potential, it is also worth noting that, because of the growing environmental awareness of consumers around the world, there are now significant new opportunities for entrepreneurs and businesses to create products that are more environmentally benign or that use less – or more recyclable – packaging. There are similar opportunities for products and services, such as in the waste management field, that enhance or improve the environment. Nova Scotia business should attempt to take advantage of these trading opportunities.

Objectives and Actions

1) To expand sales in out-of-province markets

- Support removal of interprovincial trade barriers and provide appropriate transitional measures to ease problems resulting from their removal.

When: Ongoing

Who: Department of Industry, Trade and Technology

With Whom: Government departments, business associations, labor

- Continue efforts at Atlantic economic integration.

When: Achieve substantial integration in two years

Who: Policy Board

With Whom: Government departments, business associations, labor

-
- Modify provincial trade assistance to centralize information about federal and provincial trade programs in one office; focus on encouraging the trade readiness of business; focus attention on tradeable goods; support training programs in the trade field.
 - When:* In place in one year
 - Who:* Department of Industry, Trade and Technology
 - With Whom:* Industry, Science and Technology Canada, Atlantic Canada Opportunities Agency, Nova Scotia Trade Council
 - 2) **To achieve greater value-added in goods and services products**
 - Companies must find ways to develop new products that emphasize value-added and niche markets.
 - When:* Immediate
 - Who:* Individual companies
 - With Whom:* Business associations, labor, research facilities, Department of Industry, Trade and Technology, Industry, Science and Technology Canada (with Voluntary Planning acting as a catalyst)
 - 3) **To expand import replacement and increase linkages among purchaser and supplier companies in Nova Scotia (see also under "Creating and Developing Business" Lever)**
 - Establish a supplier network.
 - When:* Network in operation in two years
 - Who:* Business associations
 - With Whom:* Department of Industry, Trade and Technology, Supplier Development Network
 - Develop practices for strategic procurement (consider doing this on an Atlantic regional basis).
 - When:* Practices in place in two years
 - Who:* Businesses, Government, Crown corporations
 - With Whom:* Business associations, provincial governments

Principles

- ✓ *Effective trade requires efficient transportation, telecommunications and energy systems.*
- ✓ *Investment is needed in the transportation system.*

Infrastructure

Infrastructure – which includes everything from highways and hospitals to telecommunications and electric power – provides the firm foundation on which a successful economy functions. An effective and efficient infrastructure network makes it easier for goods and services to flow between buyers and sellers. That is why it has been singled out here as one of those levers we can use to achieve competitive success.

Nova Scotia's infrastructure, especially in terms of transportation, telecommunications and power generation and usage, needs attention.

We are well into what is often called "the information age." Given that new technology and improvements to communication systems can help to "shrink" the distance between suppliers and their markets, these new advances should provide a competitive advantage for many of our businesses.

But during the public consultation phase in the development of this strategy, we heard concerns expressed on many occasions about the need for high volume telecommunications services in all parts of the province, about the too-high cost of long distances charges and the too-small size of local area calling markets. We believe these concerns must be brought to the attention of Maritime Telephone and Telegraph Company and efforts made to improve these situations.

Similarly, we heard concerns expressed frequently about how the issues of energy use, conservation and interprovincial co-operation affect our future economic prospects.

We are not, of course, the only body attempting to come to terms with these issues. We accept the statement made in the recent Round Table on the Environment and Economy that "the most important opportunities for improving environmental quality, as well as enhancing economic competitiveness, are from energy conservation through the efficiency of energy use," and we intend to do what is necessary to make sure that this economic strategy is compatible and consistent with the final report of the Round Table.

The Nova Scotia Department of Natural Resources has also prepared a new energy strategy that is designed to set the framework for energy policy in the province over the next number of years. Its four goals – efficiency, environmental quality, security and cost stability – also fit very well with the "environmentally sustainable" core value we have already established as one of the underpinnings of this document.

The Nova Scotia Power Corporation has made a commitment to reducing energy consumption as well through its recently launched "PowerSmart" initiative. We believe that this is encouraging, but that it should be monitored to ensure it achieves the goal of reducing energy consumption.

One way not only to encourage the environmentally prudent use of energy but also to ensure its security of supply and most efficient use is through greater co-operation among Atlantic Canadian power utilities.

We encourage the Government of Nova Scotia to work with other governments in the region to more effectively manage and distribute power.

Cost-effective and convenient transportation links are also critical to the Nova Scotia economy and the development of globally competitive businesses.

The simple reality is that the competitive position of many Nova Scotia firms can be seriously eroded by increases in transportation costs or a short-term disruption in services. Moreover, many people quite rightly describe our existing transportation infrastructures as "fragile" because of ongoing uncertainties about the future of transportation links.

Consider, for example, the current federal proposals regarding cost recovery of air services. The implementation of these proposed additional user fees will affect costs at the Halifax International Airport more severely than at any other major airport in the country, and they will have a dramatic and adverse impact on the competitive position of the many Nova Scotia exporters who ship by air.

That is just one of a wide range of transportation issues that deserve attention. The province's Department of Transportation and Communications is addressing many of these in its "Travel 2000" strategy, which is expected to be completed this year. In this paper, we will note only a few economically significant transportation issues:

- The trans-shipment role of the Port of Halifax.
- The lack of a four-lane highway link to the United States and the rest of Canada.
- The poor air links with the United States.
- The need to complete upgrading of the province's 100-series highways.

The Port of Halifax plays a key role in the Nova Scotian economy. Its role as a drop-off and pick-up point for imports and exports not only contributes significantly to the provincial economy in and of itself, but it also provides Nova Scotia exporters with marketing options that would not exist otherwise.

Given that, we welcome the recent establishment of an important new Task Force on the Competitiveness of the Port of Halifax. We believe this should serve as an important focus for discussions about ways in which to improve the port's competitive position.

The lack of a four-lane highway connection to the U.S. and Quebec is another major transportation problem affecting our competitive position. Such a connection is essential to Nova Scotia producers, especially in light of the Canada-U.S. Free Trade Agreement. Nova Scotia products will not be able to get to U.S. markets if appropriate road links are not there.

The Nova Scotia and New Brunswick governments are already committed to providing these highway connections. But the federal government must agree to make a major funding commitment if these projects are to be completed in a timely manner.

At the same time, we must also improve transportation links within the province if we are to provide the transportation infrastructure necessary to allow businesses in various parts of the province to compete on an equal footing. The 100-series highway between Yarmouth and Digby, for example, still has not been completed. It should be.

Our air links with the U.S. and Europe are also very unsatisfactory. Good air links are not only essential if Nova Scotia is to have a healthy and vibrant tourism industry, but they can also be a very important tool in recruiting new businesses to the province.

Here again, the federal government has a crucial role to play in working for change in the Air Services Agreement so that more air carriers can gain access to air routes between Nova Scotia and the U.S.

Objectives and Actions

- 1) **To promote efficiency of energy use and energy conservation**
 - Monitor the results of the Nova Scotia Power Corporation's consultations and monitor the Department of Natural Resources Energy Strategy.
When: Ongoing
Who: Voluntary Planning
- 2) **To enhance our communication systems**
 - Identify to Maritime Telephone and Telegraph concerns raised during Voluntary Planning's Encounter on the Nova Scotia Economy over the cost of long distance charges, the small size of local area calling markets and the need for high volume transmission services to all parts of the province.
When: Immediately
Who: Voluntary Planning
With Whom: Department of Transportation and Communications, Communications Policy Division, business associations
- 3) **To improve highways**
 - Upgrade Maritime highways including twinning the trans-Canada highway to Quebec; seeking a link to the U.S. Interstate in Maine and seeking a federal commitment of cost sharing.
When: To be completed in five years
Who: Department of Transportation and Communications
With Whom: Federal government, New Brunswick, Prince Edward Island and Newfoundland governments
 - Complete the gaps in the 100-series highway upgrading.
When: Completed in five years
Who: Department of Transportation and Communications
With Whom: Federal government

4) **To enhance the competitiveness of the Port of Halifax**

- Monitor and provide private sector input to the newly established Task Force on Port Competitiveness and Intermodal Terminal.

When: Ongoing

Who: Voluntary Planning

With Whom: Halifax Port Corporation, Halifax-Dartmouth Port Development Commission, CN Rail, terminal operators, shipping lines, grain elevator operators, labor, Nova Scotia Trade Council, Department of Municipal Affairs, affected municipalities

5) **To promote Halifax International Airport as the air transportation "hub" of Atlantic Canada for passengers and cargo, as well as an international air gateway to Canada and, potentially, the United States**

- Attract air carriers to use the Halifax International Airport as a gateway to Canada.

When: To be under way in three years

Who: Business associations

With Whom: Departments of Industry, Trade and Technology, Tourism and Culture, and Transportation and Communications, and the federal government

- Attract a U.S. carrier to provide increased jet service to Halifax.

When: Begin immediately

Who: Business associations

With Whom: Departments of Industry, Trade and Technology, Tourism and Culture, and Transportation and Communications, federal government, community economic development groups

6) **To ensure federal government proposals do not adversely affect the competitive position of business in the province**

- Press the federal government to make sure federal policy changes, such as Transport Canada's cost recovery proposals, the federal tax regime and custom regulations, do not erode the competitive position of businesses in the province.

When: Ongoing

Who: Department of Transportation and Communications

With Whom: Department of Industry, Trade and Technology, business associations, community economic development groups, labor

Principles

- ✓ *Nova Scotia should ensure that a positive provincial climate for entrepreneurship is maintained and responsible risk-taking is encouraged.*
- ✓ *Nova Scotia should create incentives for the formation of adequate pools of well-managed equity capital.*
- ✓ *Nova Scotia should base investment recruitment on the strengths that Nova Scotia has to offer.*
- ✓ *Nova Scotia should use strategic procurement to develop competitive new businesses.*

Creating and Developing Business

So far in this paper, we have focused primarily on existing businesses. But the creation and development of competitive new businesses also contributes to the size and diversity of our economy; so it follows naturally that building and nurturing Nova Scotia's entrepreneurial culture must be a priority lever in any economic strategy. So must recruiting existing businesses from other places that can prosper in Nova Scotia themselves as well as foster the development and growth of other businesses.

But Nova Scotia has few appropriate businesses that can serve as incubators, a tiny venture capital pool, a low rate of immigration, a business culture that is often seen as risk-averse to start-ups and a tax structure that is not considered helpful to business start-ups.

Sixty-three per cent of those surveyed in a Start-Up Business Survey conducted for this consultation reported that their growth was seriously constrained by a lack of equity capital.

Entrepreneurs in the survey generally found that government assistance was not that helpful in overcoming these financial difficulties because most of the funding available was for fixed asset financing or for amounts that were far higher than they needed.

At the same time, most of the entrepreneurs surveyed had been unable to tap into venture capital funds. The existence of experienced venture capital pools has traditionally been associated with high rates of entrepreneurship and technological innovation, but only 1 per cent of Canada's available pool of professionally managed venture capital was invested in the Atlantic provinces in 1987.⁹

We believe the business sector must make solving the venture capital problem a priority. This will not by itself create a healthy entrepreneurial climate, but if the venture capital problem is not addressed, no amount of other assistance will solve the financing conundrum.

Another way to encourage the creation and development of business is by changing the tax system to provide incentives to encourage business to reinvest in business and entrepreneurial activity.

Once businesses are established, they can often be nurtured by encouraging them to develop linkages with companies producing similar or synergistic products. In most successful economies, these linkages – or clusters – not only serve as a stimulus to increase the export value of goods and services but also encourage businesses to become more competitive and develop new products. Currently, there is little such clustering in Nova Scotia, except in the fishing industry. Improving the linkages among companies offers a significant economic development opportunity for Nova Scotia.

Many governments around the world are now also using "strategic procurement" in their own purchasing requirements as a way of nurturing existing businesses by building local capability to export. By buying newly developed local products or services – provided they meet their competition on quality and price – governments can assist indigenous companies and industries develop those products or services so they can then market them outside the province as well.

Traditionally, "strategic procurement" has meant providing a price preference to local suppliers or agreeing in advance to invite bids only from local suppliers. While that may appear to contradict our earlier position that we must press for elimination of interprovincial trade barriers, strategic procurement does not have to rule out buying at the lowest cost from a local supplier. For this to work, strategic procurement opportunities must be identified well in advance of actual tendering so Nova Scotia companies can prepare themselves to meet product specifications by utilizing program funding for such things as developing new technologies and prototype testing to make their products competitive. Nurturing Nova Scotia companies in this way would not violate the spirit of our position that interprovincial trade barriers should be eliminated.

By the same token, large companies can use similar "supplier development programs" to help themselves by developing dependable local suppliers of goods and services as well as helping the economy by encouraging supplier companies to meet international standards and therefore be in a better position to become globally competitive themselves.

Another important way to create competitive new businesses in Nova Scotia would be to develop a strategic and focused program to recruit appropriate outside firms to locate here.

Appropriate outside firms not only generate employment opportunities directly, but they also encourage job creation more broadly as they develop local suppliers by imposing on them international quality standards. Those Nova Scotia suppliers can then go on to compete in other markets with a greater likelihood of success because they have met these global standards.

At the same time, local firms that provide the same goods or services can gain valuable experience and awareness by competing at home against a company with global experience. They too can then compete in international markets with greater awareness of the latest production techniques, service standards or product refinements.

One way to attract investors is to be where they are already. That is the idea behind the offices many provinces, including Nova Scotia, maintain in other provinces or in foreign countries. We believe the Government must be aggressive but flexible in its use of such offices to also take advantage of brief or time-sensitive opportunities to attract investment from places – such as Hong Kong – where political and economic conditions are changing.

While industrial promotion has long been part of Government policy and while there have been some significant successes, research done for the economic strategy demonstrates that both the targeting and the method of this activity must change.

The key variables that can make or break an investment decision – and the ones in which, according to our research, Nova Scotia is regarded as weak – include availability of appropriate skills, start-up costs and transportation costs (all competitive levers that are addressed elsewhere in this paper).

Factors creating a strong entrepreneurial environment:

- *Number and quality of appropriate "business incubators." Large indigenous firms, universities or research institutions where entrepreneurs can learn a full range of business skills.*
- *A sizeable and experienced venture capital pool. Venture capital, either formal venture funds or informal sources such as family, can help meet the need for capital.*
- *High immigration rates of skilled people. Immigrants bring ideas, skills and a hunger for success, which can help to launch new business.*
- *Acceptance in the culture of risk-taking and failure. Successful entrepreneurs often fail several times before they succeed. An entrepreneurial culture accepts failure as a normal process in business and no stigma should attach to those who genuinely risk their own money.*
- *Attractiveness of the tax structure. Income and especially capital gains taxes can significantly influence the attractiveness of starting a new business.*

The Government, through its Industrial Promotions Branch and other provincial and municipal efforts, has allocated substantial time and resources to attracting new businesses to Nova Scotia; but we believe this effort has often not been selective enough. Virtually all the outside investors spoken to in the course of the admittedly limited research conducted for this strategy, for example, based their decision to invest in Nova Scotia on the quality and size of the locational incentive available from government. There is no point in using expensive government locational incentives to attract firms to Nova Scotia if they will then need resources or infrastructure currently unavailable here. Active recruiting must be directed only to those firms that have a reasonable chance of success in the province.

Using the province's positive attributes as the basis for attracting firms will be more beneficial to the province and to the attracted businesses as well. Future efforts must focus on businesses that:

- draw on Nova Scotia's strengths,
- complement existing or potential clusters of businesses,
- use environmentally sound practices, and
- fill gaps in the province's industrial structure.

Objectives and Actions

1) To increase availability of investment funds

- Develop a venture capital mechanism, possibly on an Atlantic region basis, supported by government tax incentives.

When: Begin operation in two years

Who: Investors, labor, community economic development groups

With Whom: Federal government, Atlantic provincial governments

- Develop a tax incentive to encourage reinvestment in business and entrepreneurial activity.

When: Operating in two years

Who: Department of Finance

With Whom: Business associations, labor, Department of Industry, Trade and Technology

- Establish a Pacific Rim immigration and investment office, preferably as part of a joint Atlantic Provinces project.

When: Operational in two years

Who: Department of Industry, Trade and Technology

With Whom: Business associations, labor, other provincial governments

2) **To develop a more favorable system of taxation**

- Seek federal co-operation so Nova Scotia has greater flexibility to provide tax incentives.

When: *Discussions in progress*

Who: *Department of Finance, Department of Industry, Trade and Technology*

With Whom: *Business associations, labor, community economic development groups*

Principles

- ✓ *The province's economic development programs should be designed*
 - for delivery at the community level; and*
 - to build the capacity required for increased economic activity to occur in smaller communities.*
- ✓ *The activities of CED groups should be supported by provincial incentives where such groups have local initiative and resources behind them, and especially where groups in neighboring communities work together in a regional way.*

Community Economic Development

Nova Scotia's economic strategy cannot be thought of as applying in only a few areas of the province or to a few sectors of the economy – individuals and communities across the province must adopt, support and implement it. While the economic strategy will provide a blueprint for action, the initiatives for making it work must come from individual communities as well as from business.

We believe Nova Scotians share a desire to live in economically vibrant communities throughout the province.

We recognize at the outset, however, that some smaller communities in Nova Scotia face disadvantages to economic development not faced by larger communities. They may have a less diversified economic base, for example, and may be dependent on the market uncertainties of resource-based industries. They may also be geographically remote from larger centres, increasing their transportation and marketing costs.

These problems, in turn, often lead to reduced employment opportunity, less entrepreneurial vigor and the reality that many of the younger and more skilled members of the community must move away to find employment or pursue their entrepreneurial interests.

While not all small communities are disadvantaged – some indeed already possess vibrant, diversified economies – they all share the conviction that they can play an important role in the economy of the province, and that they have a right to do so. We agree. But is it realistic to expect viable economic activity throughout the province? We believe it is.

We believe the potential exists for improvement in overall economic prospects in most Nova Scotia communities. Thanks to the changes in technology mentioned earlier, many businesses that do not require large-scale production facilities and are not seriously affected by transportation costs can succeed in smaller communities where there is often a labor surplus and good communication with the rest of the country.

But smaller, remote communities must have the tools within their communities to allow economic development to occur. Given the changes in our economy, local development organizations need to refocus and even restructure their efforts to be consistent with the principles of a new provincial economic strategy.

For example, the lack of information available to local businesses and entrepreneurs has long been a serious obstacle to successful community development. The strategy must include improved ways for local businesspeople to get information and counselling on how to find capital, take advantage of available worker training programs, acquire new technology, identify market opportunities, etc.

Developing the capacity for economic activity to occur within communities is the driving force behind the process known as community economic development (CED) – a bottom-up approach that has emerged

in recent years to address the economic problems of declining and smaller communities and of distinguishable communities in larger centres. Many of the principles developed from community economic development work, in fact, could be used to energize the province's economic development process as a whole.

Community economic development groups have been formed by groups of people across the province to address particular opportunities in individual communities. Their activities range from developing and implementing overall strategies for economic development to supporting new business ventures to developing literacy and training programs. In addition to fostering economic development, CED groups often focus on strengthening the social and cultural life of their communities, which in turn creates a better climate for business and community development too.

Community groups, which see development from this comprehensive – but local – perspective, can often most effectively carry out economic development programs at the community level. Local groups are better informed about on-the-scene conditions and opportunities and can utilize complementary local resources. For example, under-utilized human resources – people not mobilized for action, people not trained for jobs, people employed at less than their capacity, etc. – are more readily identified at the community level, where appropriate programs can be designed for training, retraining and so on.

Although community economic development groups are taking the lead, economic development at the community level is a three-way partnership involving government at all levels and the business sector as well. The provincial government provides support to roughly 40 industrial or development commissions. The federal government offers support through Employment and Immigration Canada's programs, especially the Community Futures Program and its Regional Industrial Training Committees.

Ironically, given that community economic development is most closely identified with local municipal units, CED groups often feel that municipal officials and staff do not understand and can be an impediment to the CED process. Steps must be taken to improve the understanding among local government of the role of CED.

Various communities are also pursuing CED through regional alliances, for example, at the county level. The willingness to co-operate with neighbors in surrounding communities in this way makes sense in view of the mobility of the population and the advantages that pooling resources can generate. We endorse and encourage them to increase such regional co-operation.

Objectives and Actions

- 1) To recognize the importance of the community economic development approach as a vehicle for implementation of an economic development strategy at the community level

- Develop a comprehensive policy for facilitating community economic development.
 - When:** Completed in one year
 - Who:** Department of Industry, Trade and Technology
 - With Whom:** Community economic development groups, Union of Nova Scotia Municipalities, industrial development commissions
 - Promote coordination of existing local economic development programs sponsored by federal, provincial and municipal governments.
 - When:** Integrate with the completion of CED Policy
 - Who:** Department of Industry, Trade and Technology
 - With Whom:** Community economic development groups, municipal governments, Employment and Immigration Canada, Atlantic Canada Opportunities Agency
 - Community economic development groups accept and give priority to their role in the implementation of the strategy.
 - When:** Initiate process immediately
 - Who:** Community economic development groups, industrial development commissions, Union of Nova Scotia Municipalities
 - With Whom:** Voluntary Planning
- 2) To ensure communities have the capacities to undertake community economic development
- Ensure information about entrepreneur and business programs and services is readily available at the local level.
 - When:** Within one year
 - Who:** Department of Industry, Trade and Technology
 - With Whom:** Community economic development groups, industrial development commission, Atlantic Canada Opportunities Agency, Federal Business Development Bank
 - Ensure appropriate tools are available to community economic development groups to help them do their activities.
 - When:** Implement within two years
 - Who:** Community College
 - With Whom:** Community economic development groups, Union of Nova Scotia Municipalities, Department of Industry, Trade and Technology
 - Develop a community economic development information, training and technical support program for municipal bodies.
 - When:** Initiate within two years
 - Who:** Union of Nova Scotia Municipalities
 - With Whom:** Municipalities, Department of Industry, Trade and Technology, Department of Municipal Affairs, community economic development groups, industrial development commissions, labor, business associations, educational institutions

Government Role

Government must change.

Government has a critical role to play as facilitator or enabler towards strengthening our economic climate. Its role must evolve from "doer" to "partner," with a strengthened non-government sector.

As we noted earlier in this discussion paper, governments cannot continue to operate in the ways that they have in the past. For one thing, they don't have the dollars – or the borrowing power – to do so. They must now begin instead to reduce and eliminate the huge deficits they have allowed to develop over the years.

At the same time, governments must perform better. They must improve the quality of the services they provide while spending what funds they have more wisely than in the past. We believe the best way to achieve that is for governments to consult widely with those in the non-government sector *before* making decisions that affect them.

In order to build a strong economy, we believe Government must strive constantly to improve the economic climate:

- by its collaboration with business, labor and other concerned groups
- by its programs of support to business
- by its own efforts to enhance internal quality and productivity
- and by reducing deficits and "strategically privatizing" suitable operations after appropriate consultations.

Let us look first of all at the question of government collaboration with other economic interest groups. We believe government decisions that affect the economic climate – provincial budget preparation, new legislation, taxation, environmental enhancement, major government projects, federal-provincial economic development agreements, labor laws, transportation systems, energy and communications issues, and so on – should be taken only *after* discussion with those outside government about the impact of those decisions. One of the purposes of such consultation should be to reduce and remove any regulatory barriers or other impediments to economic activity.

With respect to departmental consultations, a number of departments already talk with appropriate non-government sector groups on such issues as priority setting and budgets. The approach varies greatly from one department to another, however. The Government could improve this situation by establishing a standard, mandatory process – including identifying organizations to be contacted, the form of documentation to be made available and the time to be allowed for input – for every department to follow in its consultations.

The economic climate in Nova Scotia is also affected adversely by the frequent lack of dialogue and coordinated action between the federal and provincial governments in areas in which each has responsibility, such as assistance to business.

Principles

- ✓ *The Government must stop spending more than it receives in revenues.*
- ✓ *The Government, like the private sector, while cooperating with other Maritime provinces, must see itself as being in competition with other regions and thus an integral part of the Nova Scotia drive for competitive success.*
- ✓ *The Government should collaborate more with the business sector on decisions affecting business.*
- ✓ *Government departments should invite more non-government sector input into their priority-setting and budgetary processes.*
- ✓ *Federal and Provincial Governments should seek more coordination on policy approaches and operations.*
- ✓ *The Government should move to a tax-based system of incentives for business.*
- ✓ *The Government should change its programs of direct assistance to business so it plays a smaller role overall, and there are clearer criteria for the programs that remain.*
- ✓ *Government assistance to business should be aimed at outward-looking companies in the tradeable goods and services sector, or supplying those providing tradeable goods and services*

Principles (cont'd)

- ✓ *The Government of Nova Scotia and other public sector bodies should, upon consultation with affected parties, contract out or divest activities to the private sector that appear likely to prosper in the private sector because they would be able to serve additional markets outside the province or in competition with imports, and provided that they would be more efficiently operated in the private sector.*
- ✓ *Government must demonstrate a commitment to improving the efficiency of its operations as a way of reducing and eliminating its deficits and reducing the tax burden on businesses and individuals.*

In fact, it often appears that federal agencies such as ACOA and provincial ones such as the recently amalgamated Departments of Industry, Trade and Technology and the Department of Small Business Development are actually competing with one another instead of working together for the common good.

This is not true only in so-called "business departments." There are similar problems, for example, in the ways in which federal and provincial fisheries departments interact with one another.

Such poor collaboration can lead to redundancy and waste of scarce government resources.

Even within the provincial government itself, we believe there are too many conflicting jurisdictions and too many regulations that combine to create barriers and impediments to business development. We need a new system – one that seeks to expedite development approvals, regulations and licensing – to encourage rather than hinder private initiative. The best way to do this is for Government to establish a consultative process.

This same argument can also be applied to municipal governments. There are 66 municipal units in Nova Scotia, far too many for the size of our province. We believe that efforts must be made to at least rationalize the services and activities of those units.

Government assistance to business itself also affects the business climate in Nova Scotia.

Such assistance is intended to contribute both to the competitive success of existing businesses and to the start-up or recruitment of new ones. But there are so many programs – some of them incredibly complicated – offered through so many governments and agencies that databases have been developed just to keep track of them all. Although many of these programs are effective and provide benefits to economic development, there is also a sense that:

- programs overlap one another
- granting programs do not enhance competitiveness
- assistance is not centred enough on businesses with potential
- government funding competes with business sector funding.

The combination of these factors often results in the creation of unintended inefficiencies and impediments.

Nova Scotia's 1984 White Paper on Economic Development, *Building Competitiveness*, called for a Special Committee to review existing provincial and municipal assistance programs to business. In September 1987, the Special Committee submitted a detailed series of 31 recommendations, but its report has not been acted upon or released to the public.

Although some slight updating may be necessary, we believe the Special Committee report provides a firm basis for a comprehensive overhaul of business assistance programs. The report emphasizes, in particular,

the need for a system that is more effective at generating positive benefits to the economy and that includes periodic evaluations of its effectiveness. The Special Committee recommended the following major revisions to provincial assistance programs:

- that the qualifications of the applicant receive increased attention in assistance applications;
- that eligibility for assistance be based on long-term financial viability;
- that bail-outs be eliminated and replaced with a system of alternative business opportunities and employment strategies;
- that universality of access to programs is desirable, especially to accommodate small business and service firms;
- that government study greater use of conditional (i.e., repayable) grants;
- that the use of revolving funds to capitalize provincial loan boards be explored;
- that all new programs have sunset clauses, and that existing programs be systematically reviewed by a committee at arms length from government and be rejustified if they are to continue; and
- that a system be developed to enable government to accurately determine the "payback" from individual programs.

The Special Committee also found non-monetary assistance (i.e., training and departmental services) is very valuable and recommended that the government adopt a policy of increasing such assistance as a proportion of the total. It also recommended that the government encourage increased business sector delivery of such assistance.

Finally, if Government is to improve the climate for economic growth and development, it must begin to see itself – in collaboration with other governments within the Atlantic region – as being in competition with other governments in Canada and around the world. It must compete in creating a climate that will attract investment and foster entrepreneurship; it must compete in providing infrastructure to enable individual Nova Scotians to perform better than workers and management in other jurisdictions; and it must compete in managing its own finances in ways that will make it a place where business can grow better than in other places. What we mean by that is simply that if Government becomes smaller and more efficient, it can reduce taxes, thereby lowering the cost of doing business.

And that, of course, will help Nova Scotia achieve the competitive success that is our goal.

Objectives and Actions

- 1) **Government to foster a more open, participative style of governing and demonstrate leadership by example**
 - Establish a coordinated process for government consultations.
When: Established in one year
Who: Policy Board
With Whom: Labor, business associations, community economic development groups, interest groups, Voluntary Planning
 - Undergo programs of environmental audits to ensure activities are consistent with sound environmental practices.
When: Ongoing
Who: Management Board
With Whom: All government departments, Environment and Economy Round Table
- 2) **To ensure Government provides better value and service through greater coordination and efficiency**
 - Give managers in Government greater authority and accountability over their operations.
When: Initiate in one year
Who: Management Board
With Whom: Deputy Ministers, Civil Service Commission
 - Conduct a quality enhancement program in Government to improve customer orientation.
When: Immediately
Who: Deputy Ministers
With Whom: Management Board, proponents of quality, Civil Service Commission
- 3) **To ensure government assistance programs are effective**
 - Create an arms-length review committee to evaluate all business assistance programs (and re-justify their existence) on a three-year basis.
When: In place within six months
Who: Management Board
With Whom: Provincial Government departments with programs, program clients
- 4) **To ensure greater government coordination of programs**
 - Achieve greater coordination among all level of governments.
When: Initiate efforts at greater co-ordination in one year
Who: Policy Board within the Nova Scotia Government, intergovernmental affairs with other levels of government
With Whom: Business associations, labor, community economic development groups, provincial and federal departments, municipal governments

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- Rationalize (coordinate and streamline) the services and activities of the 66 municipalities.

When: Complete within three years

Who: Department of Municipal Affairs

With Whom: Municipalities, Union of Nova Scotia

Municipalities, community economic development groups, industrial development commissions

5) To streamline regulatory processes

- Establish a system to expedite development approvals, regulations and licensing.

When: Establish system within two years

Who: Policy Board

With Whom: Provincial government departments, business associations, industrial development commissions, community economic development groups, federal departments and municipal governments

The time has come to pool our capital, our hearts and our minds and build a high-skill, high-wage economy that can compete on an equal footing with any other regional economy in the world.

A Time for Action

It is, of course, far easier to talk about making changes in the way we operate our economy than it is to actually make those changes. But we recognize – and Nova Scotians, as they pointed out to us time and time again during our broad public consultations, also recognize – that this Strategy, no matter how well thought-out or right for the future of Nova Scotia, will not ultimately be worth the paper it is printed on if it is not implemented.

But translating the fine words of the Strategy into concrete actions is not something that can be left to Government. Or to business. Or even the non-government sector by itself. We – collectively and individually – must all play our part in making it work.

Partly because of the clear message we heard during our public consultations – “The challenge,” as one person put it, “is how to get past the talking stage” – we at Voluntary Planning have spent a good deal of time and energy considering what must be done to make sure we meet the goal and achieve the vision set out in this document.

We have, in fact, already taken the first steps to ensure that this will not be one of those “filed and forgotten” reports.

In drafting the final document, for example, we took care to include concrete, measurable actions we believe need to be undertaken in order to achieve specific objectives we have set. To ensure that those actions are taken, we have also assigned a particular group or organization or government department prime responsibility for following through on each action, and then suggested a time frame in which that action should be begun and/or completed. In this way, we hope all Nova Scotians will be in a position to see for themselves what is – and is not – being done to make this strategy a reality.

Even before the final strategy document was published, however, we met with the Premier and his Cabinet to outline the contents of the Strategy. During that session, on October 10, 1991:

- We asked for and received not only the Government's endorsement of the approach and objectives contained in the Strategy but also its commitment to implement those aspects of the Strategy that require governmental action.
- We recommended establishment of a high-level committee of senior civil servants – at the deputy minister level – to begin, and oversee, the process of implementation of all those actions involving government departments or agencies. Cabinet agreed, and the first meetings between the Committee and representatives of Voluntary Planning were held within a week to review the Strategy's Action Plan.
- We at Voluntary Planning offered to take on the job of providing leadership to the non-government sector to ensure that all the objec-

tives outlined in this document requiring actions by those outside of government are also followed up. Cabinet accepted our offer.

- We urged the Government to appoint a small but effective committee of senior Government, business and labor leaders to monitor all aspects of the report's implementation, and to report regularly to the public on the progress being made in implementing the report. Government agreed and invited Voluntary Planning to nominate candidates to serve on this committee. This has been done.

With those elements now in place, we can begin the biggest and most important job – turning the economy of Nova Scotia around. As we noted at the beginning, Nova Scotia is at a critical crossroads in its economic history. Change is coming; the status quo is not an option.

If we are to take advantage of the opportunities and avoid the threats, we will have to radically change some of our practices of the past. At the same time, if we are to preserve and protect our environment and the quality of life we also hold dear, we must ensure that whatever we do will be compatible with the goal of sustainable development.

What we are proposing is the development of an innovative, non-government sector-led economy centred, not on federal transfer payments or provincial bailouts, but rather on marshalling the efforts of individual Nova Scotians from across the province. Our economic success as a province, in fact, will depend on the collective effort of all of us working together to achieve our common future.

The time has come to pool our capital, our hearts and our minds and build a high-skill, high-wage economy that can compete in our own way with any other regional economies of the world.

Because this is our province. It is our future. And it is our choice.

Footnotes

- 1 Research conducted by Canada Consulting Cresap and Industry, Trade and Technology's Trade Development Survey.
- 2 Statistics Canada. *Survey of Literacy Skills Used in Daily Activities*. 1989.
- 3 Ibid.
- 4 Robert K. Crocker, *Science Achievement in Canadian Schools, National and International Comparisons*, Economic Council of Canada, 1990.
- 5 Ibid.
- 6 Canadian Labor Marketing and Productivity Centre, *Speaking Out on Training*, 1989.
- 7 Patrick O'Farrell. *Small Manufacturing Competitiveness and Performance: An Analysis of Matched Pairs in Nova Scotia and New England*, 1990. pp. 8-15
- 8 Department of Industry, Science and Technology "Survey of Manufacturing Technologies," 1989.
- 9 Venture Economics Canada Limited.



Action Table

(for full descriptions, see under
Objectives and Actions of each lever)

Legend

- Business Associations** Group(s) or Department(s) responsible for action
- Coordinate with the... indicates specific responsibility

Immediate

Business Associations

- Attract U.S. carrier to provide increased jet services to Halifax

Business Associations, Labor

- Promote increased training for workers in the workplace

Community Economic Development Groups, Industrial Development Commissioners, Union of Nova Scotia Municipalities

- Community economic development groups accept and give priority to their role in the implementation of the strategy

Department of Education/Advanced Education

- Complete implementation of the Community College Program

Deputy Ministers

- Conduct a quality enhancement program in government to improve customer orientation

Individual Companies

- Companies must find ways to develop new products that emphasize value-added and niche markets

Management Board

- Create an arms-length review committee to evaluate all business assistance programs (and re-justify their existence) on a three-year basis

Minister and Deputy Minister responsible for Education

- Launch a concerted effort to improve the high school science and math programs

N.S. Federation of Labor, N.S. Council of Labor, Business Associations - with Voluntary Planning acting as catalyst

- Establish a joint Labor/Employer forum to promote a greater sense of partnership in the workplace and the economy

Voluntary Planning

- Identify concerns raised during Voluntary Planning's "Encounter on the Nova Scotia Economy" to Maritime Telephone and Telegraph re: the cost of long distance charges, the small size of local area calling markets, the need for high volume transmission services to all parts of the province

Voluntary Planning, Environment and Economy Round Table

- Coordinate with the Provincial Round Table on Environment and Economy (public consultation currently in progress)

One Year

Business Associations, Labor, Community Economic Development Groups

- Promote the adoption of productivity management practices and good industrial relations in order to produce superior products and services to consistently meet customer satisfaction

Research Institutions

- Review the mandates, policies, and practices of the major public and quasi-public R&D establishments

Department of Education/Advanced Education

- Ensure community colleges remain accessible for vocational training to those without a grade 12 diploma
- Publish the results of standardized achievement tests given to school children
- Improve the availability of literacy training in the workplace

Department of Industry, Trade and Technology

- Develop a comprehensive policy for facilitating community economic development
- Promote coordination of existing local economic development programs sponsored by federal, provincial and municipal governments
- Ensure entrepreneur and business programs and services information are readily available at the local level
- Modify provincial trade assistance to centralize information about federal and provincial trade programs in one office, focus on encouraging the trade readiness of business, focus attention on tradeable goods, support training programs in the trade field

Intergovernmental Affairs

- Achieve greater coordination among all levels of government

Management Board

- Give managers in Government greater authority and accountability over their operations

Policy Board

- Establish a coordinated process for government consultations

Two Years

Business Associations

- Establish a Technology Outreach Service
- Establish a supplier network

Business, Labor

- Establish an awards program to encourage innovation in education

Business, Government, Crown Corporations

- Develop practices for strategic procurement (consider on an Atlantic basis)

Community Colleges

- Ensure appropriate tools are available to community economic development groups to help them do their activities

Department of Finance

- Develop a tax incentive to encourage reinvestment in business and entrepreneurial activity

Department of Industry, Trade and Technology

- Establish a technology challenge grant fund
- Establish a Pacific Rim immigration and investment office, preferably as a part of a joint Atlantic Provinces project
- Establish a Performance Enhancement Service

Department of Industry, Trade and Technology, Council of Applied Science and Technology

- Recruit private sector product development activities to Nova Scotia

Investors, Labor, Community Economic Development Groups

- Develop a venture capital mechanism, possibly on an Atlantic Region basis, supported by government tax incentives

Policy Board

- Establish a system to expedite development approvals, regulations and licensing
- Continue efforts at Atlantic economic integration

Teachers' Union(s), Department of Education/Advanced Education

- Upgrade teacher skills in science and math

Union of Nova Scotia Municipalities

- Develop a community economic development information, training and technical support program for municipal bodies

Universities

- Develop more formal links between TUNS and Dalhousie University and, where appropriate, between TUNS and other universities

Three Years

Business Associations

- Attract air carriers to use the Halifax International Airport as a gateway to Canada
- Increase training requirements for supervisors and managers

Business, Labor

- Business and labor establish more partnership arrangements with educational institutions

Department of Municipal Affairs

- Rationalize, coordinate and streamline the services and activities of the 66 municipalities

Minister and Deputy Minister Responsible for Education

- Adjust curriculums to students in all grades to spend 25 per cent more time than present, per year on the basic skills (reading, writing, math, communications and critical thinking)

Universities

- Encourage each university campus to develop its own areas of specialization and excellence; eliminate duplication of programs and administration

Four Years +

Teachers' Union(s), Teachers' College, Universities with education programs

- Target teacher training to meet the needs of continuing education

Department of Transportation and Communications (Five Years)

- Upgrade Maritime highways including: twinning the Trans-Canada highway to Quebec; seek a link to U.S. Interstate in Maine; and seek a federal commitment of cost-sharing
- Complete the 100-series highway upgrading

Ongoing

Department of Finance

- Seek federal co-operation so Nova Scotia has greater flexibility to provide tax incentives

Department of Industry, Trade and Technology

- Support removal of interprovincial trade barriers and provide appropriate transitional measures to ease problems resulting from their removal

Department of Transportation and Communications

- Press the federal government to make sure federal policy changes such as Transport Canada's cost recovery, and other federal programs such as federal tax regime and customs regulations, do not erode the competitive position of businesses in the province.

Management Board

- Undergo programs of environmental audits to ensure activities are consistent with sound environmental practices

Voluntary Planning

- Monitor and provide private sector input to newly established Task Force on Port Competitiveness and Intermodal Terminal
- Monitor the results of Nova Scotia Power Corporation's consultations and the Department of Natural Resources Energy Strategy